

DIRECT TESTIMONY
OF
MARK MAPLE
ENGINEERING DEPARTMENT
ENERGY DIVISION
ILLINOIS COMMERCE COMMISSION

UNION ELECTRIC COMPANY

d/b/a

AmerenUE

DOCKET NO. 00-0722

JUNE 6, 2001

1 1. Q. Please state your name and business address.

2 A. My name is Mark Maple and my business address is Illinois Commerce
3 Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

4 2. Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission ("Commission") as an
6 Energy Engineer in the Engineering Department of the Energy Division.

7 3. Q. Please state your educational background.

8 A. I hold a Bachelor of Science degree in Mechanical Engineering and a minor
9 in Mathematics from Southern Illinois University in Carbondale, Illinois. I am
10 also a registered Professional Engineer Intern in the State of Illinois.

11 4. Q. What are your duties and responsibilities as an Energy Engineer in the
12 Engineering Department?

13 A. My primary responsibilities and duties are in the performance of studies and
14 analyses dealing with the day-to-day, and long-term, operations and planning
15 of the gas utilities serving Illinois. For example, I review purchased gas
16 adjustment clause reconciliations, rate base additions, levels of natural gas
17 used for working capital, and review utilities' applications for Certificates of
18 Public Convenience and Necessity. I also perform utility gas meter test shop
19 audits.

20 5. Q. What is the purpose of this proceeding?

21 A. On November 8, 2000, the Commission initiated its annual reconciliation of
22 the Purchased Gas Adjustment ("PGA") for calendar year 2000, as filed by
23 Union Electric Company ("UE" or "Company"), pursuant to Section 9-220 of
24 the Illinois Public Utilities Act ("Act"). This investigation was initiated to
25 determine whether UE's PGA clause reflects actual costs of gas and gas
26 transportation for calendar year 2000 and whether those purchases were
27 prudent. ■

28 6. Q. What is your assignment within this proceeding?

29 A. My assignment is to determine if UE's natural gas purchasing decisions
30 made during the reconciliation period were prudent.

31 7. Q. Have you made a determination if UE's natural gas purchasing decisions
32 made during the reconciliation period were prudent?

33 A. Yes. Using the Commission's criteria for prudence, I have determined UE's
34 natural gas purchasing decisions were prudent.

35 8. Q. What criteria does the Commission use to determine prudence?

36 A. The Commission has defined prudence as:

37 **[...] that standard of care which a reasonable person**
38 **would be expected to exercise under the circumstances**
39 **encountered by utility management at the time decisions**
40 **had to be made. In determining whether or not a**
41 **judgment was prudently made, only those facts available**
42 **at the time the judgment was exercised can be**
43 **considered. Hindsight review is impermissible.**

44 **Imprudence cannot be sustained by substituting one's**
45 **judgment for that of another. The prudence standard**
46 **recognizes that reasonable persons can have honest**
47 **differences of opinion without one or the other**
48 **necessarily being 'imprudent'. (Docket No. 84-0395,**
49 **p.17).**

50 9. Q. What material did you review to determine the prudence of UE's
51 natural gas purchasing decisions during the reconciliation period?

52 A. I reviewed the direct testimony of UE witnesses Thomas Golden and
53 Richard McCartney. I also reviewed Company responses to
54 numerous Staff data requests that directly addressed issues related
55 to the prudence of UE's natural gas purchasing.

56 10. Q. Does Staff have any issues that it would like UE to consider for future
57 gas purchases?

58 A. Yes. Staff believes that price stability as well as the commodity cost
59 of the natural gas should be a factor in utility purchasing decisions.
60 The recent spike in natural gas prices demonstrates the difficulty
61 consumers face when gas prices rise unpredictably. Greater price
62 stability could mitigate some of the negative impacts currently facing
63 Illinois gas consumers. However, providing this price stability could
64 also result in higher than index natural gas pricing at times.

65 11. Q. Please explain the meaning of "index natural gas pricing".

66 A. In “index natural gas pricing”, the price of the natural gas fluctuates
67 with the contract specified “index”. The “index” could refer to natural
68 gas pricing data published by commonly used gas industry
69 publications such as “Gas Daily” or “Natural Gas Intelligence”. These
70 publications provide pricing information for various delivery points or
71 “Hubs” and for specific time periods such as day, week, or month.
72 For example, a contract for natural gas may define “Daily Price” as
73 the price published in “Gas Daily” for the specific day under
74 consideration and for deliveries to a specific delivery point. To
75 summarize, the contract price for the natural gas is the specified
76 “index price” which fluctuates with the gas market for the delivery point
77 and time period specified.

78 12. Q. Does Staff have any recommendations for UE regarding future natural
79 gas purchasing practices?

80 A. Yes. UE should consider purchasing a portion of its gas supply with
81 contracts not tied to index pricing. The Company should weigh the
82 risk and the benefits of non-index pricing and develop an appropriate
83 gas purchasing strategy using prudent risk management practices.

84 This strategy should help provide greater price stability for Illinois
85 consumers.

86 13. Q. Does this conclude your direct testimony?

87 A. Yes, it does.

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION:

On Its Own Motion

-vs-

UNION ELECTRIC (AMEREN-UE)

Reconciliation of revenues collected under gas
Adjustment charges with actual costs prudently
incurred.

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00-0722

NOTICE OF FILING

To Attached Service List:

YOU ARE HEREBY NOTIFIED that we have, on the 6th day of June, 2001, forwarded to the Chief Clerk of the Illinois Commerce Commission, for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Mark Maple of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

Steve Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 6th day of June, 2001.

Steve Knepler
Supervisor
Accounting Department

SK:blc
Enclosures

UNION ELECTRIC (AMEREN-UE)
Docket No. 00-0722
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